



**Bitcoin Ponzi Scheme.** In a recent case, *SEC v. Shavers*, the organizer of an alleged Ponzi scheme advertised a Bitcoin “investment opportunity” in an online Bitcoin forum. Investors were allegedly promised up to 7% interest per week and that the invested funds would be used for Bitcoin arbitrage activities in order to generate the returns. Instead, invested Bitcoins were allegedly used to pay existing investors and exchanged into U.S. dollars to pay the organizer’s personal expenses.

## Common Red Flags of Fraud

Many Ponzi schemes share common characteristics. Following are some red flags:

- **High investment returns with little or no risk.** Every investment carries some degree of risk, and investments yielding higher returns typically involve more risk. “Guaranteed” investment returns or promises of high returns for little risk should be viewed skeptically.
- **Overly consistent returns.** Investments tend to go up and down over time, especially those seeking high returns. Be suspect of an investment that generates consistent returns regardless of overall market conditions.
- **Unregistered investments.** Ponzi schemes typically involve investments that have not been registered with the SEC or with state securities regulators.
- **Unlicensed sellers.** Federal and state securities laws require certain investment professionals and their firms to be licensed or registered. Many Ponzi schemes involve unlicensed individuals or unregistered firms.
- **Secretive and/or complex strategies and fee structures.** It is a good rule of thumb to avoid investments you don’t understand or for which you can’t get complete information.
- **No minimum investor qualifications.** Most legitimate private investment opportunities require you to be an *accredited investor*. You should be highly skeptical of investment opportunities that do not ask about your salary or net worth.
- **Issues with paperwork.** Be skeptical of excuses regarding why you can’t review information about the investment in writing. Always read and carefully consider an investment’s prospectus or disclosure statement before investing. Be on the lookout for errors in account statements which may be a sign of fraudulent activity.
- **Difficulty receiving payments.** Be suspicious if you don’t receive a payment or have difficulty cashing out your investment. Ponzi scheme organizers sometimes encourage participants to “roll over” promised payments by offering higher investment returns.
- **It comes through someone with a shared affinity.** Fraudsters often exploit the trust derived from being members of a group that shares an affinity, such as a national, ethnic or religious affiliation. Sometimes, respected leaders or prominent members may be enlisted, knowingly or unknowingly, to spread the word about the “investment.”

## Where can I go for help?

If you have a question or concern about an investment, or you think you have encountered fraud, please contact the SEC, FINRA or your state securities regulator to report the fraud and to get assistance.

### [U.S. Securities and Exchange Commission](#)

Office of Investor Education and Advocacy

100 F Street, NE

Washington, D.C. 20549-0213

(800) 732-0330

[sec.gov](http://sec.gov)

[investor.gov](http://investor.gov)

### [Financial Industry Regulatory Authority \(FINRA\)](#)

FINRA Complaints and Tips

9509 Key West Avenue

Rockville, Maryland 20850

(301) 590-6500

[www.finra.org/Investors/](http://www.finra.org/Investors/)

### [North American Securities Administrators Association \(NASAA\)](#)

750 First Street, NE

Suite 1140

Washington, D.C. 20002

(202) 737-0900

[www.nasaa.org](http://www.nasaa.org)

## Additional Information

For more information about [Ponzi schemes](#), visit [sec.gov/answers/ponzi.htm](http://sec.gov/answers/ponzi.htm).

For a [list](#) of SEC enforcement actions against Ponzi schemes, visit [sec.gov/spotlight/enf-actions-ponzi.shtml](http://sec.gov/spotlight/enf-actions-ponzi.shtml).

For more information about being an [accredited investor](#), visit [sec.gov/answers/accred.htm](http://sec.gov/answers/accred.htm).

For our [publication](#) about affinity fraud, visit [investor.gov/sites/default/files/Affinity-Fraud.pdf](http://investor.gov/sites/default/files/Affinity-Fraud.pdf).

For our [Investor Alert](#) about social media and investing, visit [sec.gov/investor/alerts/socialmediaandfraud.pdf](http://sec.gov/investor/alerts/socialmediaandfraud.pdf).

For additional investor educational information, see the SEC's website for individual investors, [investor.gov](http://investor.gov).

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

